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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20054

In the Matter of)
) CC Docket No. 96-45
Federal-State Joint Board)
on Universal Service)

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint") hereby respectfully submits its Comments in response to some of the Comments on the Petitions for Reconsiderations ("PFRs") of the Commission's Report and Order, released May 8, 1997, in the above-captioned proceeding.

In its Petition for Reconsideration, Sprint urged the Commission to adopt a national or combined state and federal USF plan providing a reasonable level of support to intrastate as well as interstate services and expressed concern that the Commission's new USF plan would cause a jurisdictional shift in costs to the intrastate jurisdiction without any certainty as to action by the states.¹ In its Comments on the PFRs, Sprint noted that numerous parties, including the State Commissions in Vermont and Wyoming, voiced similar concerns in their PFRs.² A significant number of additional parties, including several States and State Commissions, also filed comments in support of the Vermont and Wyoming Commissions' call for a national fund and

1. Sprint Corporation Petition for Reconsideration, filed July 17, 1997, at p. 2.

2. Comments of Sprint Corporation, filed August 18, 1997 at pp. 1-5.

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elimination of the so-called 25/75 split that will shift costs to the states without any certainty of recovery.³

All of these parties, either in their original PFRs or in their Comments, have noted, as has Sprint, the many legal and practical problems with the lack of a national fund and the 25/75 split. Rather than repeat them all here, Sprint will simply point to one of the more serious legal and practical concerns, as stated by New Mexico:

The [New Mexico] Commission, therefore, agrees with WPSC, VPSB, and APUC that the mechanism established by the FCC to support universal service, even when taken together with possible state mechanisms (over which the FCC probably has no control), would provide insufficient support in violation of Section 254(b)(5) of the Act.⁴

Accordingly, Sprint again urges the Commission to reconsider its decision and adopt a national fund capable of providing

3. See, e.g., Comments in Support of Petitions for Reconsideration by the Colorado Public Utilities Commission, filed August 18, 1997 at pp. 1-4; Comments of the New Mexico State Corporation Commission in Support of the Petitions for Reconsideration by the Wyoming Public Service Commission, the Vermont Public Service Board, and the Alaska Public Utilities Commission, filed August 15, 1997 at pp. 1-4 ("New Mexico"); Consolidated Opposition to and Comments of the State of Alaska on Petitions for Reconsideration, filed August 18, 1997 at pp. 6-7; Comments of TCA, Inc., filed August 18, 1997 at pp. 2-4; Reply of the The Rural Telephone Coalition to Comments filed in Opposition to Petition for Reconsideration, filed August 28, 1997 at pp.5-8; Comments of U S West, Inc. to Petitions for Reconsideration and/or Clarification, filed August 18, 1997 at pp. 2-3; Comments of Virgin Islands Telephone Corporation on Petitions for Reconsideration, filed August 18, 1997 at pp. 1-6; and BellSouth Corporation and BellSouth Telecommunications, Inc. Comments on and Oppositions to Petitions for Reconsideration, filed August 18, 1997 at pp. 1-3 ("BellSouth").

4. New Mexico at p. 3.

sufficient support to preserve and advance universal service.⁵

In its PFR, US West requested reconsideration of the Commission's determination that LECs should continue to recover their USF contributions from the carrier common line basket, because "[t]his recovery mechanism perpetuates the practice of implicit subsidies."⁶ US West argued that:

[t]o ensure the Commission's Universal Service Order complies with the requirement that funding be explicit, the Commission should require contributors to collect the funding as a surcharge that is both based upon and reflected in the end user's retail bill for both intrastate and interstate services.

Sprint agreed with US West and urged the Commission to fulfill the statutory mandate to eliminate implicit subsidies from USF by requiring a surcharge on end user retail bills for both interstate and intrastate services. BellSouth also agreed, stating:

An end user surcharge is the recovery mechanism that is most consistent with the Act's requirement that universal service support be made explicit. To the extent that universal service contributions are recovered through service rates, such as access charges, then the very system of implicit support that the Telecommunications Act intended to be displaced will

5. As demonstrated herein, numerous parties concur in the need for a national fund. However, not all of these parties agree upon a funding mechanism. As Sprint demonstrated in its PFR and in its Comments on the PFRs, the national fund must be based on intrastate revenues as well as interstate revenues in order to solve the problem of properly sizing the fund and to avoid competitive neutrality problems. See, e.g., Sprint Comments at pp. 3-5.

6. US West at pp. 9-10. See also, Petition for Reconsideration and Clarification of AT&T Corp., filed July 11, 1997, at pp. 2-8.

7. Id. at p. 10.

instead be perpetuated. Further, an end user surcharge ensures competitive neutrality.

It is clear that the current scheme, which will only serve to perpetuate the implicit subsidies that the Act says should be eliminated, must be reconsidered and that the Commission should adopt a mandatory end user surcharge as the mechanism to recover USF contributions. As Sprint and U S West demonstrated in their Comments, this surcharge should apply to all end user intrastate and interstate revenues.⁹

Finally, Sprint and Time Warner sought reconsideration of the Commission's determination that for purposes of eligibility to receive USF funds, a carrier could satisfy the facility requirement by providing its own access to operator services, while obtaining the remainder of its basic services through resale.¹⁰ TRA objected to these PFRs, and urged the Commission to refrain "from further restricting the category of carriers

8. BellSouth at p. 7. See also, Consolidated Comments of the Ad Hoc Telecommunications Users Committee on Petitions for Reconsideration, filed August 18, 1997 at pp. 7-9 objecting to recovery of contributions through access charges and supporting an explicit end user surcharge. Additional parties supporting an end user surcharge include Time Warner Communications Holdings, Inc. Opposition to and Comments on Petitions for Reconsideration and Clarification of Report and Order, filed August 18, 1997 at p. 12 and GTE Service Corporation Comments on Petitions for Reconsideration, filed August 18, 1997 at pp. 2-5.

9. Sprint Comments at pp. 6-7 and U S West Comments at p. 10.

10. Sprint PFR at pp. 3-4 and Petition for Reconsideration of Time Warner Communications Holdings, Inc. at p. 2 ("Time Warner").

eligible to receive universal service support."¹¹ TRA's concern is that further restrictions will hinder competition by preventing carriers from entering the market because of their inability to benefit directly from universal service support.

Quite simply, TRA is missing the point. The Commission has held that universal service support should be allocated to the carrier that incurs the costs of providing the relevant services because:

Under section 254(e), eligible telecommunications carriers are to use universal service support for the provision, maintenance, and upgrading of facilities and services for which the support is intended. When a line is served by an eligible telecommunications carrier, either an ILEC or a CLEC, through the carrier's owned and constructed facilities, the support flows to the carrier because that carrier₁₂ is incurring the economic costs of serving that line.

In the situation raised by both Sprint and Time Warner, where the carrier itself provides only operator services and obtains the remainder of its basic service elements through resale, the carrier is not burdened with the economic costs of providing local service. Without this burden, any universal service support is unwarranted, and the carrier's decision to enter the market or not should be completely unaffected by its

11. Comments of the Telecommunications Resellers Association, filed August 18, 1997 at p. 8 ("TRA").

12. Report and Order at para. 286 (footnote omitted).

ineligibility to receive USF funds. USF is not intended to be a windfall to any carrier. Accordingly, TRA's objection should be rejected and the Commission should reconsider its determination on USF eligibility.

Respectfully submitted

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September 3, 1997

CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 3rd day of September, 1997, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Reply Comments of Sprint Corporation" in the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, filed this date with the Acting Secretary, Federal Communications Commission, to the persons on the attached service list.



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